

Message Text

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TAGS: PFOR, ECON, EINV, EPAP, NI

SUBJECT: INDIGENIZATION: PLANNED FMG TAKEOVER OF FIVE OIL CRUSH-
ING MILLS

1. AUGUST 24 ISSUES OF "NEW NIGERIAN" AND "FINANCIAL TIMES" RAN SKETCHY STORIES ON FEDERAL COMMISSIONER FOR COOPERATIVES AND SUPPLY U.S. MUTTALAB'S AUGUST 23 ANNOUNCEMENT THAT FMG PLANNED TO TAKE OVER "FOREIGN INTERESTS" IN FIVE VEGETABLE OIL MILLS IN NORTHERN PART OF COUNTRY. THE MILLS EFFECTED ARE THE KANO STATE OIL MILL, ALLIED PRODUCTS MILL, KATSINA OIL MILL, FUNTUA COTTONSEED OIL MILL, AND GOMBE COTTONSEED OIL MILL

2. MUTTALAB STATED THAT NEGOTIATIONS FOR THE PURCHASE OF FOREIGN EQUITY INTEREST WOULD BEGIN IMMEDIATELY AND THE FMG DID NOT PLAN TO "NATIONALIZE" THE OIL CRUSHING INDUSTRY. HOWEVER, ACCORDING TO THE ARTICLES, MUTTALAB SAID THAT THE FMG WAS DETERMINED TO CENTRALLY CONTROL THE DEVELOPMENT OF THE AGRO-ALLIED INDUSTRIAL SECTOR.

3. THE "FINANCIAL TIMES" SPECULATED THAT THE FMG DECIDED TO INTERVENE BECAUSE TECHNICAL AND MANAGERIAL PROBLEMS IN THE MILLS AS WELL AS AN INADEQUATE SUPPLY OF GROUNDNUTS HAVE RESULTED IN
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MANY MILLS PRODUCING WELL UNDER CAPACITY.

4. COMMENT: ABOVE RATIONALE FOR PLANNED TAKEOVER OF FIVE OIL MILLS IS NOT PERSUASIVE. MILLS HAVE OPERATED UNDER CAPACITY BEACUSE OF DISAPPOINTING GROUNDNUT HARVESTS AND POOR PERFORMANCE OF STATE GOVERNMENT GROUNDNUT MARKETING BOARDS IN SUPPLYING CROP TO MILLS AND OTHER CONSUMERS. THUS DIFFICULT TO FIX BLAME ON OIL MILLS THEMSELVES. ALSO, PROPOSED TAKEOVER IS AT VARIANCE WITH NEW INDIGENIZATION PROVISIONS, IN WHICH VEGETABLE OIL CRUSHING MILLS ARE PLACED IN SCHEDULE II (60 PERCENT NIGERIAN - 40 PERCENT FOREIGN EQUITY SPLIT). ALTHOUGH OIL MILL TAKEOVER ALONG WITH DECISION TO CENTRALIZE COMMODITY MARKETING BOARDS (PARA 3 LAGOS 7532) PROBABLY INDICATE MORE CENTRALIZED CONTROL OF AGRICULTURAL SECTOR, DO NOT KNOW IF ADDITIONAL TAKEOVERS/CENTRALIZATION WILL SPREAD TO OTHER SECTORS. LIKELY FMG DOES NOT KNOW EITHER ALTHOUGH GRADUAL AD HOC DRIFT TO MORE ECONOMIC CENTRALZATION IS A DISTINCT POSSIBILITY. NONETHELESS, EMBASSY BELIEVES FMG POLICY RE FOREIGN INVESTMENT WILL REMAIN GENERALLY WITHIN NEW INDIGENIZATION GUIDELINES.
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